

# FISCAL NOTE

**Bill #:** SB0147

**Title:** Revise payment of school retirement costs

**Primary Sponsor:** Ryan, D

**Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$3,945,509	\$4,205,369
<b>Revenue:</b>		
General Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	\$3,945,509	\$4,205,369

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns                      |
| <input type="checkbox"/> Included in the Executive Budget         | <input type="checkbox"/> Significant Long-Term Impacts           |
| <input type="checkbox"/> Dedicated Revenue Form Attached          | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

## Fiscal Analysis

### ASSUMPTIONS:

1. Retirement benefits include contributions of the employer to retirement systems, unemployment insurance, social security and Medicare.
2. School districts expended \$687.5 million for salaries in all school funds in FY 2004. Under SB 147, school districts would have the option to charge retirement benefits to the retirement fund or federal funds for employees who are paid from federal funds.
3. Salaries for employees paid from federal funds totaled \$83.8 million in FY 2004. The largest of the federal programs are Title I, Special Education, and federal Impact Aid. Salaries paid from Grants totaled \$70.3 million and \$13.5 million for federal Impact Aid.
4. According to the budget requests submitted by OPI, the increases in federal funding are 8% in FY 2005, 3% in FY 2006, and 5% in FY 2007. Based upon last year's increase in Impact Aid, it was assumed Impact Aid will increase 1% in each year. Of these funding increases, it was assumed that 80% will be spent on salaries. Based upon historical trends in FY 2003 and FY 2004, salaries will increase by 3% each year.

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## 5. Estimated Salaries Paid from Federal Programs:

		<b>Estimated</b>	
		<b>Salaries</b>	<b>Calculations</b>
FY 05	Grants	77,282,144	[FY 04 Salaries 70,326,110 x ((8% X .80)+1)] x 1.03
FY 05	Impact Aid	12,984,620	[FY 04 Salaries 13,494,647 x ((1% X .80)+1)] x 1.03
FY 05	Esti Federal Salaries	90,266,764	
FY 06	Grants	81,511,023	[FY 05 Salaries 77,282,144 x ((3% X .80)+1)] x 1.03
FY 06	Impact Aid	13,481,152	[FY 05 Salaries 12,984,620 x ((1% X .80)+1)] x 1.03
FY 06	Esti Federal Salaries	94,992,174	
FY 07	Grants	87,314,608	[FY 06 Salaries 81,511,023 x ((5% X .80)+1)] x 1.03
FY 07	Impact Aid	13,996,671	[FY 06 Salaries 13,481,152 x ((1% X .80)+1)] x 1.03
FY 07	Esti Federal Salaries	101,311,278	

## 6. An estimated benefit rate of 15% based upon FY2005 employer contribution rates:

	<u>Certified</u>	<u>Classified</u>
	<u>Staff</u>	<u>Staff</u>
Teachers' Rmt	7.47 %	
PERS		6.90 %
FICA	6.20%	6.20%
Medicare	1.45%	1.45%
Unemployment	0.02%	0.02%
Totals	15.14%	14.57%

## 7. The countywide school fund costs are shared by the state through guaranteed tax base subsidies (GTB), and county levies. The state share varies between 0 and 56 percent but averages about 27 percent. The salary calculations were done by school district and totaled by county. The state share was calculated by county. Since the federal revenue to school districts is not equally distributed, the average cost of this calculation is not the statewide average percentage.

## 8. Estimated cost to the state and county:

<b>Year</b>	<b>Est. Federal Salaries</b>	<b>Est. Benefit Rate</b>	<b>Amt from Retirement Fund</b>	<b>State Cost</b>	<b>County Cost</b>
FY 05	90,266,764	15%	13,540,015	-	-
FY 06	94,992,174	15%	14,248,826	3,945,509	10,303,317
FY 07	101,311,278	15%	15,196,692	4,205,369	10,991,323

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(continued)

**FISCAL IMPACT:**

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Local Assistance	\$3,945,509	\$4,205,369
<u>Funding of Expenditures:</u>		
General Fund (01)	\$3,945,509	\$4,205,369
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$3,945,509)	(\$4,205,369)

**EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

1. School districts will respond to SB 147 in two ways. Some districts will continue to charge federal programs for benefits and not increase property taxes. Others may shift the costs from the federal programs to the retirement fund and increase property taxes.
2. Net county property taxes for retirement budgets are projected to increase by \$10.3 million in FY 2006 and by \$11.0 million in FY 2007.